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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Concerning
Energy Efficiency Rolling Portfolios,
Policies, Programs, Evaluation and Related
Issues.

Rulemaking 13-11-005
(Filed November 14, 2013)

**OPENING COMMENTS OF ROBERT MOWRIS & ASSOCIATES, INC.
REGARDING PROPOSED DECISION PROVIDING GUIDANCE FOR
INITIAL ENERGY EFFICIENCY
ROLLING PORTFOLIO BUSINESS PLAN FILINGS**

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August 8, 2016

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I. Introduction

In accordance with Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure (“Rules”), Robert Mowris & Associates, Inc., (RMA) submits opening comments on the Proposed Decision (PD) of Administrative Law Judge (ALJ) Fitch issued on July 19, 2016 providing guidance for initial energy efficiency portfolio business plan filings.

II. Summary

RMA recommends revising the PD to allocate one-third of the Commission staff evaluation budget for third-party Evaluation, Measurement and Verification (EM&V) studies. Third-party EM&V studies would be implemented by a CPUC-approved list of subject matter expert EM&V consulting companies. Third party evaluators would work cooperatively with implementers to provide cost effective, transparent, credible and accurate EM&V studies consistent with the CPUC California Evaluation Framework and American Evaluation

Association (AEA) guidelines.¹ The recommended change to the PD would allocate 20% of the total evaluation budget based on four percent of the total portfolio. Third party EM&V studies would provide more innovative results closer to real time to facilitate timely feedback of evaluation results to improve program performance, delivery and cost effectiveness. Third party EM&V studies would allow program implementers to select an independent subject-matter expert EM&V consulting company to evaluate their programs.

III. Comments

RMA recommends revising the PD to allocate one-third of the Commission staff evaluation budget for third-party evaluation studies.² The third-party EM&V studies would be implemented by a CPUC-approved list of subject matter expert EM&V consulting companies. Third party evaluators would work cooperatively with implementers to provide cost effective, transparent, credible and accurate EM&V studies consistent with the CPUC California Evaluation Framework and AEA guidelines. The recommended change to the PD would allocate 20% of the total evaluation budget based on four percent of the total portfolio. The rationale for reserving 20% of the total evaluation budget for third-party EM&V studies would allow any program administrator including third parties and investor-owned utilities (IOUs) an the opportunity to select an independent subject-matter expert EM&V consulting company to evaluate their programs. Third party subject-matter expert evaluators would provide more innovative results closer to real time to facilitate timely feedback of evaluation results to improve program performance, delivery and cost effectiveness. Third-party EM&V studies would be prime contractors working under an IOU contract and reporting to both a program implementer and a CPUC consultant. CPUC ED would not necessarily need to be directly involved with managing third-party EM&V studies other than to approve a list of third-party EM&V contractors.

¹ Hall, N., Megdal, L., Jacobs, P., Wright, R., Chernick, P., Keating, K., Barata, S., Vine, E., Nadel, S., Prahl, R., Reed, J. 2004. The California Evaluation Framework. Project Number K2033910. Prepared for Southern California Edison Company to conduct a joint study supported by PG&E, SDG&E, SCE, SCG as mandated by the California Public Utilities Commission.

http://www.calmac.org/publications/California_Evaluation_Framework_June_2004.pdf. American Evaluation Association Guiding Principles are provided on pages 49-52 and <http://www.eval.org/p/cm/ld/fid=51>.

² Page 69 of the PD sets EM&V funding at 60% for the CPUC and 40% for administrators. The RMA proposal recommends the CPUC manage 40%, administrators manage 40%, and 20% be directed to third-party EM&V.

Third party EM&V studies will help the CPUC meet its objectives to use limited ratepayer funds most effectively as stated on pages 22 and 23 of the PD.

“... the Commission must focus on our responsibility to ensure prudent expenditures of ratepayer funds ... our responsibility is to ensure that we utilize the limited ratepayer funds under our purview in the most targeted and effective way possible, to induce even more energy efficiency than we have in the past, especially in light of SB 350’s goal of doubling the amount of energy efficiency in the economy. A dollar spent on an activity already occurring without program intervention is a dollar that cannot help spur additional energy efficiency investment in the economy.”

RMA further recommends that the PD consider increasing third-party EM&V budgets over time if third-party EM&V studies demonstrate they are more cost effective, competitive and timely than the current CPUC ED-managed evaluation studies.

The rationale for having independent third party subject-matter experts perform evaluations is to reduce the total portfolio evaluation budget by 50% and improve transparency, credibility, and accuracy of EM&V studies.³ The current CPUC Energy Division (ED) managed studies have been extremely costly, contentious and far less than optimal in terms of transparency, credibility, and accuracy. As a result of poor EM&V study results, energy efficiency in California has been unable to realize its full potential and program administrators are hampered by lack of good faith by the ED-managed EM&V firms to work cooperatively with them to provide effective, timely, and cost effective evaluation results.

CPUC ED-managed evaluation studies are currently being performed by two large consulting companies representing a duopoly.⁴ While subcontractors are used in some of the studies, under California law CPUC ED managers have no right to require prime contractors to hire specific subcontractors based on their expertise. Clearly, this represents an intractable problem in terms of quality control. In addition, subcontractors have no whistleblower protection under California law to report misconduct, fraud, or abuse by a prime contractor. Therefore, the current EM&V system cannot be effectively managed by the CPUC ED. As a result millions of

³ The current EM&V budget has been established at 4% of total portfolio budget. The goal of third-party EM&V would be to eventually reduce the total EM&V budget to 2% of the total portfolio budget.

⁴ Two suppliers dominate the current CPUC market for EM&V services.

dollars of ratepayer funding are potentially wasted on expensive studies that provide little or no value to stakeholders. Current EM&V studies are grouped together to make it “easier” to perform studies. Most of the research plans and studies are delayed until after programs have almost ended with very little time for field measurements or analysis. Current EM&V reports are generally published quickly to barely meet deadlines without adequate time for public comment or review, and the results have been so flawed that DEER updates cannot use the results.

The current PD allocates 60% of the total evaluation budget for CPUC ED-managed EM&V studies which represents an enormous amount of money for evaluating programs that generally provide incentives for proven technologies known to save energy. The CPUC needs to consider how to reduce evaluation budgets to allocate more funding to program implementation in order to meet the higher savings goals required under Senate Bill (SB) 350 and Assembly Bill (AB) 802. By funding third party EM&V studies, the CPUC will be able to reduce evaluation costs, improve timeliness and quality and provide more funding for program implementation.

Program implementers including IOUs, RENs, and third parties need choices regarding who conducts their EM&V studies. The CPUC ED-managed evaluations provide no choice whatsoever. This is equivalent to forcing a patient suffering from cancer to seek diagnosis and treatment from only two doctors when neither doctor has the expertise, equipment, or experience to diagnose or treat the cancer patient. Health care is not managed this way and EM&V studies shouldn't be either. Implementers and ratepayers deserve better EM&V studies freed from confrontation and punitive results that serve no purpose. All stakeholders deserve more cooperative, timely, transparent, accurate and credible EM&V studies. For energy efficiency to compete on a level playing field with energy supply the cost of EM&V studies be reduced and the market for EM&V must become more competitive.

IV. Conclusion

RMA recommends revising the PD to allocate one-third of the Commission staff evaluation budget for third-party evaluation studies. The recommended change to the PD would allocate 20% of the total evaluation budget based on four percent of the total portfolio. Third party EM&V studies would provide more innovative results closer to real time to facilitate timely feedback of evaluation results to improve program performance, delivery and cost

effectiveness. Third party EM&V studies would allow program implementers to select an independent subject-matter expert EM&V consulting company to evaluate their programs. Third-party EM&V studies would be implemented by a CPUC-approved list of subject matter expert EM&V consulting companies. Third party evaluators would work cooperatively with implementers to provide cost effective, transparent, credible and accurate EM&V studies consistent with the CPUC California Evaluation Framework and AEA guidelines.

RMA appreciates the opportunity to provide these opening comments and believes its participation in this proceeding will not prejudice any party and will not delay the schedule or broaden the scope of the issues in the proceeding. For the reasons stated above, RMA respectfully requests that the CPUC consider these comments.

Dated: August 8, 2016

Respectfully submitted,

A handwritten signature in cursive script that reads "Robert J. Mowris". The signature is written in black ink and is positioned above a horizontal line.

Robert Mowris

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